

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Sparta	County Kent
Fiscal Year End December 31, 2006	Opinion Date June 15, 2007	Date Audit Report Submitted to State June 25, 2007	

We affirm that:

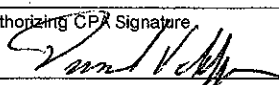
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not considered necessary	
Other (Describe)	<input checked="" type="checkbox"/>	Internal control communication (SAS No. 112)	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 	Printed Name Daniel L. Veldhuizen, CPA	License Number 1101020724	

*Village of Sparta*  
*Kent County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended December 31, 2006*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Village of Sparta***  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the Village of Sparta, Michigan's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Village's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Village's total net assets increased by \$1,441,758 (11 percent) as a result of this year's activities. Net assets of the governmental and business-type activities increased by \$437,842 and \$1,003,916, respectively.
- Of the \$14,896,371 total net assets reported, \$4,450,986 (30 percent) is unrestricted, or available to be used at the Council's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$2,995,108, which represents 210 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

The Village's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems and Sparta Airport.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2006 and 2005 is also presented.

**Government-wide financial statements**

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

**Government-wide financial statements (Continued)**

The two government-wide statements report the Village's net assets and how they have changed. Net assets (the difference between the Village's assets and liabilities) are one way to measure the Village's financial health or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors, such as changes in the Village's property tax base and the condition of the Village's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as police protection and general government. Property taxes and state shared revenue finance most of these activities.
- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems and airport operations are reported here.
- *Component unit* - The Village includes another entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the Village is financially accountable for it.

**Fund financial statements**

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Village Council establishes other funds to control and manage money for particular purposes (like street maintenance) or to show that it is properly using certain taxes and other revenues (like state grants collected for the street funds).

The Village has two kinds of funds:

- *Governmental funds.* Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.
- *Proprietary funds.* Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

**Village of Sparta**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Fund financial statements (Continued)**

- In fact, the Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- The Village uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the Village's other programs and activities. The Village's internal service fund consists of its Equipment Rental Fund.

**FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE**

**Net assets.** Total net assets at the end of the fiscal year were \$14,896,371, an increase of 11 percent compared to the prior year. Of this total, \$9,661,046 is invested in capital assets, net of related debt, and \$784,339 is restricted for various purposes. Consequently, unrestricted net assets were \$4,450,986, or 30 percent of the total. While the Village reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities.

	Condensed financial information					
	Net Assets					
	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$4,079,963	\$4,084,919	\$2,828,865	\$5,372,738	\$6,908,828	\$9,457,657
Capital assets	<u>4,246,486</u>	<u>4,317,204</u>	<u>14,853,864</u>	<u>12,744,604</u>	<u>19,100,350</u>	<u>17,061,808</u>
<b>Total assets</b>	<b><u>8,326,449</u></b>	<b><u>8,402,123</u></b>	<b><u>17,682,729</u></b>	<b><u>18,117,342</u></b>	<b><u>26,009,178</u></b>	<b><u>26,519,465</u></b>
Current and other liabilities	191,724	266,251	373,300	174,646	565,024	440,897
Long-term debt	<u>2,343,942</u>	<u>2,782,931</u>	<u>8,203,841</u>	<u>9,841,024</u>	<u>10,547,783</u>	<u>12,623,955</u>
<b>Total liabilities</b>	<b><u>2,535,666</u></b>	<b><u>3,049,182</u></b>	<b><u>8,577,141</u></b>	<b><u>10,015,670</u></b>	<b><u>11,112,807</u></b>	<b><u>13,064,852</u></b>
Net assets:						
Invested in capital assets, net of related debt	2,756,793	2,736,502	6,904,253	2,903,580	9,661,046	5,640,082
Restricted	784,339	976,253	-	4,310,873	784,339	5,287,126
Unrestricted	<u>2,249,651</u>	<u>1,640,186</u>	<u>2,201,335</u>	<u>887,219</u>	<u>4,450,986</u>	<u>2,527,405</u>
<b>Total net assets</b>	<b><u>\$5,790,783</u></b>	<b><u>\$5,352,941</u></b>	<b><u>\$9,105,588</u></b>	<b><u>\$8,101,672</u></b>	<b><u>\$14,896,371</u></b>	<b><u>\$13,454,613</u></b>

**Changes in net assets.** The Village's total revenues for 2006 were \$5,446,313 compared to \$5,617,229 in 2005. Nearly 33 percent of the Village's revenues come from charges for services while property taxes account for 29 percent of the revenues. State shared revenue accounts for only 8 percent of the Village's revenues.

**Village of Sparta**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (Continued)**

The total cost of all the Village's programs for 2006, covering a wide range of services, totaled \$4,004,555 compared to \$3,449,157 in 2005. Nearly 41 percent of the Village's costs relate to the provision of utility services. Public safety (police and fire protection) costs represent 22 percent of total costs.

	Condensed financial information Changes in Net Assets					
	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program revenues:						
Charges for services	\$ 28,661	\$ 38,673	\$ 1,752,235	\$ 1,755,261	\$ 1,780,896	\$ 1,793,934
Operating grants and contributions	248,423	246,859	-	-	248,423	246,859
Capital grants and contributions	85,101	907,768	914,155	306,088	999,256	1,213,856
General revenues:						
Property taxes	1,512,645	1,515,792	80,787	-	1,593,432	1,515,792
State shared revenue	427,360	430,357	-	-	427,360	430,357
Other	218,065	243,926	178,881	57,505	396,946	301,431
Transfers	(54,850)	532,691	54,850	(417,691)	-	115,000
Total revenues	<u>2,465,405</u>	<u>3,916,066</u>	<u>2,980,908</u>	<u>1,701,163</u>	<u>5,446,313</u>	<u>5,617,229</u>
Expenses:						
Legislative	15,741	13,310	-	-	15,741	13,310
General government	385,016	348,625	-	-	385,016	348,625
Public safety	882,379	847,273	-	-	882,379	847,273
Public works	504,784	389,218	-	-	504,784	389,218
Culture and recreation	96,872	58,987	-	-	96,872	58,987
Community and economic development	25,054	20,726	-	-	25,054	20,726
Interest	117,717	144,092	-	-	117,717	144,092
Sewer	-	-	882,294	737,878	882,294	737,878
Water	-	-	749,802	630,704	749,802	630,704
Airport	-	-	344,896	258,344	344,896	258,344
Total expenses	<u>2,027,563</u>	<u>1,822,231</u>	<u>1,976,992</u>	<u>1,626,926</u>	<u>4,004,555</u>	<u>3,449,157</u>
Increase in net assets	<u>\$ 437,842</u>	<u>\$ 2,093,835</u>	<u>\$ 1,003,916</u>	<u>\$ 74,237</u>	<u>\$ 1,441,758</u>	<u>\$ 2,168,072</u>

**Governmental activities**

Governmental activities increased the Village's net assets by \$437,842. The increase is due to the fact that general revenues exceeded the net cost of providing governmental services. The increase in net assets in 2005, in the amount of \$2,093,835, was primarily due to significant capital contributions related to infrastructure improvement projects.

**Village of Sparta**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Governmental activities (continued)**

The following table shows the costs of the Village's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Village's taxpayers by each of these functions.

The total cost of all governmental activities was \$2,027,563.

However, the amount that our taxpayers paid for these activities through general revenues was \$2,103,220. Some of the cost was paid by:

- Those who directly benefited from the programs (\$28,661), or
- Other governments that subsidized certain programs with grants and contributions (\$333,524).

The Village paid for the \$1,665,378 "public benefit" portion with \$1,512,645 in property taxes and other revenues, such as state shared revenue and interest income.

	<i><u>Total cost of services</u></i>	<i><u>Net cost of services</u></i>
Public safety	\$ 882,379	\$ 877,295
Public works	504,784	201,260
General government	385,016	361,439
Other	<u>255,384</u>	<u>225,384</u>
<b>Totals</b>	<b><u>\$ 2,027,563</u></b>	<b><u>\$ 1,665,378</u></b>

**Business-type activities**

Business-type activities increased the Village's net assets by \$1,003,916. The key factors which led to this condition were the increase in utility rates to offset increasing costs of operation while holding actual, related expenses at or below projected levels.

**FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

**Governmental funds**

As of December 31, 2006, the Village's governmental funds reported combined ending fund balances of \$3,600,224, an increase of \$96,798 compared to last year's balances.

The General Fund is the chief operating fund of the Village and ended the year with a fund balance of \$2,995,108. The General Fund experienced an increase in fund balance of \$246,868 because its revenues, primarily property taxes, continue to be sufficient to cover the fund's total expenditures.

The Major Street Fund experienced a decrease of \$62,818 in its fund balance during the current year. All of the available resources of this fund are restricted for maintenance and construction of major streets within the Village.

**Governmental funds (continued)**

The 2001 General Obligation Bond Fund experienced a decrease in fund balance of \$87,540, which caused it to end the current fiscal year with a fund balance of \$53,436.

In addition, these other changes in fund balances should be noted:

- Nonmajor special revenue funds increased by \$81,074, primarily because current year revenues exceeded current year street maintenance costs.
- Nonmajor debt service funds decreased by \$80,786 with the closing of the 1994 General Obligation Bond Fund.

The General Fund is the chief operating fund of the Village. At the end of the fiscal year, unreserved fund balance was \$2,995,108, which represents 210 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance of the General Fund represents 83 percent of the combined ending fund balances of the governmental funds.

**Proprietary funds.** The Sewer Fund experienced an operating loss of \$216,194 but its net assets increased by \$73,703. The Sewer Fund typically experiences an operating loss because commodity charges do not cover all operating expenses that include depreciation. Net assets were \$4,125,816 at year end while net working capital amounted to \$619,419.

The Water Fund experienced an operating loss of \$175,029. However, net assets of the fund increased by \$550,426 because of significant capital contributions in 2006. Net assets were \$3,544,362 at year end while net working capital amounted to \$1,042,328.

The Airport Fund experienced an operating loss of \$75,171 but increased its net assets by \$379,784 due to a state grant in the amount of \$458,998. Net assets were \$1,435,410 at year end while net working capital amounted to a negative \$32,717. The fund has an unrestricted net asset deficit, in the amount of \$3,725, primarily due to unexpected expenses incurred relative to the runway expansion project.

**General Fund budgetary highlights**

Resources available for appropriation were \$130,204 more than the amount budgeted, primarily because conservative revenue estimates were substantially lower than actual revenues for the 2006 fiscal year.

In total, actual expenditures were \$38,596 more than the amount budgeted due to higher than expected costs in several departments. Capital outlay expenditures were \$33,962 more than appropriated because of unexpected costs related to the Rogers Park improvement project.

These variances resulted in a \$91,608 positive budget variance. The fund balance increased by \$246,868 compared to a budgeted increase of \$155,260.

**Village of Sparta**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Capital assets and debt administration**

*Capital assets*

The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2006, amounts to \$19,100,350 (net of accumulated depreciation). This investment includes a broad range of assets including land, streets, sewer and water facilities, buildings, and equipment. The net increase in the Village's net investment in capital assets for the current fiscal year was \$2,038,542 or 12 percent.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Infrastructure	\$ 3,403,708	\$ 13,149,546	\$ 16,553,254
Land and improvements	-	1,134,415	1,134,415
Buildings and improvements	510,482	513,990	1,024,472
Vehicles and equipment	<u>332,296</u>	<u>55,913</u>	<u>388,209</u>
<b>Totals</b>	<b><u>\$ 4,246,486</u></b>	<b><u>\$ 14,853,864</u></b>	<b><u>\$ 19,100,350</u></b>

Major capital asset events during the current fiscal year included the following:

- Infrastructure improvements that were financed through the issuance of capital improvement bonds in the prior year. Street costs capitalized amounted to \$99,326 and water system improvement costs totaled \$1,934,492.
- Land and easements were acquired by the Airport Fund at a cost of \$492,461 in preparation for a runway expansion project. Most of these costs were financed by a state grant.
- The Rogers Park improvements were completed in 2006 at a cost of \$59,604 paid by the General Fund.
- A new police car was purchased for \$23,555 that was financed by an installment purchase agreement with a local bank.

More detailed information about the Village's capital assets is presented in Note 5 of the basic financial statements.

*Debt administration*

At the end of the fiscal year, the Village had bonds and notes outstanding in the amount of \$10,385,504, which represents a decrease of \$2,117,372 (17 percent) compared to the prior year. All debt is backed by the full faith and credit of the Village.

During the year ended December 31, 2006, the Village decreased its debt through the defeasance of certain sewer revenue bonds, in the amount of \$1,180,000, and principal payments made on each of its various obligations that were all paid in a timely manner.

*Debt administration (continued)*

The Village did issue debt during the year, in the amount of \$24,418, through an installment purchase agreement that financed the acquisition of a new police car.

Other noncurrent obligations totaling \$49,820 represent accrued compensated absences.

More detailed information about the Village's noncurrent obligations is presented in Note 8 of the basic financial statements.

**Economic condition and outlook**

The Village of Sparta's economic condition continues to be strong and healthy. A recent grant award has provided us with the funds to begin the design phase of the wastewater plant capital improvement project. In addition, conservative budgeting and retirement of debt has allowed us to lower our millage rate by .5 mills for the coming year.

**Contacting the Village's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Sharon J. DeLange, Manager  
Village of Sparta  
156 E. Division  
Sparta, MI 49345-1389

Phone: (616) 887-8251  
E-mail: [manager@spartami.org](mailto:manager@spartami.org)

## INDEPENDENT AUDITORS' REPORT

**Village Council  
Village of Sparta, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Village of Sparta, Michigan, as of December 31, 2006, and for the year then ended, which collectively comprise the Village of Sparta, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Sparta, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Village of Sparta, Michigan, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison schedules, and the schedule of funding progress of the employee retirement system, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sparta, Michigan's basic financial statements. The accompanying supplementary information, as listed in the contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Village Council  
Village of Sparta, Michigan  
Page 2

The other information designated as "Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure" in the contents is also presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Village of Sparta, Michigan. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

*Sigfried Crandall P.C.*

June 15, 2007

## **BASIC FINANCIAL STATEMENTS**

**Village of Sparta**  
**STATEMENT OF NET ASSETS**  
December 31, 2006

	<b>Primary government</b>			<b>Component unit</b>
	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Totals</b>	<b>Downtown Development Authority</b>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 3,346,399	\$ 2,392,015	\$ 5,738,414	\$ 437,918
Receivables	430,675	213,053	643,728	38,649
Inventory	-	9,008	9,008	-
Internal balances	126,754	(126,754)	-	-
Total current assets	3,903,828	2,487,322	6,391,150	476,567
Noncurrent assets:				
Receivables	158,486	87,313	245,799	-
Capital assets not being depreciated - land	-	817,447	817,447	-
Capital assets being depreciated, net	4,246,486	14,036,417	18,282,903	-
Deferred charges, net	17,649	254,230	271,879	-
Total noncurrent assets	4,422,621	15,195,407	19,618,028	-
Total assets	8,326,449	17,682,729	26,009,178	476,567
<b>LIABILITIES</b>				
Current liabilities:				
Payables	122,158	373,300	495,458	12,704
Escrow deposits	19,746	-	19,746	-
Bonds and notes payable	345,059	484,992	830,051	-
Total current liabilities	486,963	858,292	1,345,255	12,704
Noncurrent liabilities:				
Compensated absences	49,820	-	49,820	-
Bonds and notes payable	1,998,883	7,718,849	9,717,732	-
Total noncurrent liabilities	2,048,703	7,718,849	9,767,552	-
Total liabilities	2,535,666	8,577,141	11,112,807	12,704
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,756,793	6,904,253	9,661,046	-
Restricted for:				
Public works	730,903	-	730,903	-
Debt service	53,436	-	53,436	-
Unrestricted	2,249,651	2,201,335	4,450,986	463,863
Total net assets	\$ 5,790,783	\$ 9,105,588	\$ 14,896,371	\$ 463,863

See notes to the financial statements

**Village of Sparta**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u> <u>Capital grants and contributions</u>
Governmental activities:			
Legislative	\$ 15,741	\$ -	\$ -
General government	385,016	23,577	-
Public safety	882,379	5,084	-
Public works	504,784	-	248,423
Culture and recreation	96,872	-	-
Community and economic development	25,054	-	-
Interest on long-term debt	117,717	-	-
Total governmental activities	<u>2,027,563</u>	<u>28,661</u>	<u>248,423</u> <u>85,101</u>
Business-type activities:			
Sewer	882,294	703,360	-
Water	749,802	785,677	-
Airport	344,896	263,198	-
Total business-type activities	<u>1,976,992</u>	<u>1,752,235</u>	<u>-</u> <u>914,155</u>
Total primary government	<u>\$ 4,004,555</u>	<u>\$ 1,780,896</u>	<u>\$ 248,423</u> <u>\$ 999,256</u>
Component unit:			
Downtown Development Authority	<u>\$ 93,565</u>	<u>\$ -</u>	<u>\$ -</u> <u>\$ -</u>

General revenues  
Property taxes  
State shared revenue  
Unrestricted interest income  
Franchise fees  
Other  
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

<i>Net (expenses) revenues and changes in net assets</i>			
<i>Primary government</i>			<i>Component unit</i>
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>
\$ (15,741)		\$ (15,741)	
(361,439)		(361,439)	
(877,295)		(877,295)	
(201,260)		(201,260)	
(66,872)		(66,872)	
(25,054)		(25,054)	
<u>(117,717)</u>		<u>(117,717)</u>	
<u>(1,665,378)</u>		<u>(1,665,378)</u>	
	\$ (155,044)	(155,044)	
	467,143	467,143	
	<u>377,299</u>	<u>377,299</u>	
	<u>689,398</u>	<u>689,398</u>	
<u>(1,665,378)</u>	<u>689,398</u>	<u>(975,980)</u>	
			\$ <u>(93,565)</u>
1,512,645	80,787	1,593,432	213,377
427,360	-	427,360	-
127,204	178,881	306,085	12,301
16,000	-	16,000	-
74,861	-	74,861	4,808
<u>(54,850)</u>	<u>54,850</u>	<u>-</u>	<u>-</u>
<u>2,103,220</u>	<u>314,518</u>	<u>2,417,738</u>	<u>230,486</u>
437,842	1,003,916	1,441,758	136,921
<u>5,352,941</u>	<u>8,101,672</u>	<u>13,454,613</u>	<u>326,942</u>
<u>\$ 5,790,783</u>	<u>\$ 9,105,588</u>	<u>\$ 14,896,371</u>	<u>\$ 463,863</u>

See notes to the financial statements

**Village of Sparta**  
**BALANCE SHEET - governmental funds**  
December 31, 2006

	<u>General</u>	<u>Major Street</u>	<u>2001 Sewer/Water refunding bond</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>ASSETS</b>					
Cash	\$ 2,389,042	\$ 435,815	\$ 53,436	\$ 364,702	\$ 3,242,995
Receivables	360,190	218,753	-	10,218	589,161
Due from other funds	376,954	-	-	-	376,954
Total assets	<u>\$ 3,126,186</u>	<u>\$ 654,568</u>	<u>\$ 53,436</u>	<u>\$ 374,920</u>	<u>\$ 4,209,110</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables	\$ 53,913	\$ 36,998	\$ -	\$ 7,032	\$ 97,943
Due to other funds	10,200	240,000	-	-	250,200
Escrow deposits	19,746	-	-	-	19,746
Deferred revenue	47,219	193,778	-	-	240,997
Total liabilities	<u>131,078</u>	<u>470,776</u>	<u>-</u>	<u>7,032</u>	<u>608,886</u>
Fund balances:					
Unreserved	2,995,108	183,792	53,436	-	3,232,336
Unreserved, reported in nonmajor: Special revenue funds	-	-	-	367,888	367,888
Total fund balances	<u>2,995,108</u>	<u>183,792</u>	<u>53,436</u>	<u>367,888</u>	<u>3,600,224</u>
Total liabilities and fund balances	<u>\$ 3,126,186</u>	<u>\$ 654,568</u>	<u>\$ 53,436</u>	<u>\$ 374,920</u>	<u>\$ 4,209,110</u>

Total fund balances - all governmental funds \$ 3,600,224

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 3,998,278

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 258,646

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. (2,258,791)

The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 192,426

Net assets of *governmental activities* (page 5) \$ 5,790,783

See notes to the financial statements

*Village of Sparta*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**

**BALANCES - governmental funds**

*Year ended December 31, 2006*

	<u>General</u>	<u>Major Street</u>	<u>2001 Sewer/Water refunding bond</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Property taxes	\$ 1,102,651	\$ -	\$ 265,816	\$ 161,663	\$ 1,530,130
Licenses and permits	19,534	-	-	-	19,534
State grants	438,075	166,566	-	67,608	672,249
Charges for services	6,092	-	-	-	6,092
Fines and forfeitures	5,084	-	-	-	5,084
Interest and rentals	86,238	21,425	4,809	11,989	124,461
Other	81,230	66,023	-	41,109	188,362
Total revenues	<u>1,738,904</u>	<u>254,014</u>	<u>270,625</u>	<u>282,369</u>	<u>2,545,912</u>
<b>EXPENDITURES</b>					
Legislative	15,741	-	-	-	15,741
General government	373,096	-	-	-	373,096
Public safety	828,072	-	-	-	828,072
Public works	-	203,607	-	211,636	415,243
Culture and recreation	74,085	-	-	-	74,085
Community and economic development	25,054	-	-	-	25,054
Capital outlay	84,962	-	-	-	84,962
Debt service:					
Principal	24,347	59,000	310,000	40,000	433,347
Interest	3,379	46,525	48,165	15,595	113,664
Total expenditures	<u>1,428,736</u>	<u>309,132</u>	<u>358,165</u>	<u>267,231</u>	<u>2,363,264</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>310,168</u>	<u>(55,118)</u>	<u>(87,540)</u>	<u>15,138</u>	<u>182,648</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	32,300	-	40,000	72,300
Transfers out	(63,300)	(40,000)	-	(54,850)	(158,150)
Total other financing uses	<u>(63,300)</u>	<u>(7,700)</u>	<u>-</u>	<u>(14,850)</u>	<u>(85,850)</u>
<b>NET CHANGE IN FUND BALANCES</b>	246,868	(62,818)	(87,540)	288	96,798
<b>FUND BALANCES - BEGINNING</b>	<u>2,748,240</u>	<u>246,610</u>	<u>140,976</u>	<u>367,600</u>	<u>3,503,426</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,995,108</u>	<u>\$ 183,792</u>	<u>\$ 53,436</u>	<u>\$ 367,888</u>	<u>\$ 3,600,224</u>

*See notes to the financial statements*

***Village of Sparta***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended December 31, 2006*

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Net change in fund balances - total governmental funds	\$ 96,798
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Amounts reported for *governmental activities* in the statement of activities (page 6)  
are different because:

Capital assets:

Assets acquired	170,580
Provision for depreciation	(200,502)

Long-term debt - principal repayments	433,347
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Changes in other assets/liabilities:

Net decrease in bond issuance costs	(980)
Net decrease in deferred revenue	(28,400)
Net decrease in accrued interest	3,000
Net increase in compensated absences	(8,620)

The net expense of the internal service fund is reported with governmental activities.	<u>(27,381)</u>
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Change in net assets of <i>governmental activities</i>	<u>\$ 437,842</u>
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*See notes to the financial statements*

**Village of Sparta**  
**STATEMENT OF NET ASSETS - proprietary funds**  
December 31, 2006

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Airport</b>	<b>Totals</b>	
<b>ASSETS</b>					
Current assets:					
Cash	\$ 816,042	\$ 1,566,035	\$ 9,938	\$ 2,392,015	\$ 103,404
Receivables	103,596	98,962	10,495	213,053	-
Inventory	-	-	9,008	9,008	-
Due from other funds	-	10,200	-	10,200	-
Total current assets	<u>919,638</u>	<u>1,675,197</u>	<u>29,441</u>	<u>2,624,276</u>	<u>103,404</u>
Noncurrent assets:					
Receivables	7,527	79,786	-	87,313	-
Capital assets not being depreciated	-	73,386	744,061	817,447	-
Capital assets being depreciated, net	4,829,860	8,352,921	853,636	14,036,417	248,208
Deferred charges, net	182,180	72,050	-	254,230	-
Total noncurrent assets	<u>5,019,567</u>	<u>8,578,143</u>	<u>1,597,697</u>	<u>15,195,407</u>	<u>248,208</u>
Total assets	<u>5,939,205</u>	<u>10,253,340</u>	<u>1,627,138</u>	<u>17,819,683</u>	<u>351,612</u>
<b>LIABILITIES</b>					
Current liabilities:					
Payables	35,541	335,869	1,890	373,300	10,815
Due to other funds	105,678	-	31,276	136,954	-
Bonds and notes payable	159,000	297,000	28,992	484,992	39,236
Total current liabilities	<u>300,219</u>	<u>632,869</u>	<u>62,158</u>	<u>995,246</u>	<u>50,051</u>
Noncurrent liabilities:					
Bonds and notes payable	1,513,170	6,076,109	129,570	7,718,849	109,135
Total liabilities	<u>1,813,389</u>	<u>6,708,978</u>	<u>191,728</u>	<u>8,714,095</u>	<u>159,186</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	3,339,870	2,125,248	1,439,135	6,904,253	99,837
Unrestricted (deficit)	785,946	1,419,114	(3,725)	2,201,335	92,589
Total net assets	<u>\$ 4,125,816</u>	<u>\$ 3,544,362</u>	<u>\$ 1,435,410</u>	<u>\$ 9,105,588</u>	<u>\$ 192,426</u>

See notes to the financial statements

**Village of Sparta**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - *proprietary funds***  
Year ended December 31, 2006

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Airport</b>	<b>Totals</b>	
<b>OPERATING REVENUES</b>					
Charges for services:					
Utility commodity charges	\$ 496,272	\$ 360,923	\$ -	\$ 857,195	\$ -
Rentals	-	-	116,779	116,779	132,156
Fuel sales	-	-	128,804	128,804	-
Other	13,713	1,502	17,615	32,830	9,826
Total operating revenues	509,985	362,425	263,198	1,135,608	141,982
<b>OPERATING EXPENSES</b>					
Personnel costs	287,161	222,471	25,217	534,849	26,581
Gas and oil	3,540	1,947	96,799	102,286	9,799
Supplies	35,080	77,355	517	112,952	13,252
Contracted services	136,441	10,166	65,379	211,986	-
Insurance	17,874	3,659	4,369	25,902	14,869
Utilities	51,680	33,382	5,649	90,711	15,197
Repairs and maintenance	42,409	30,962	42,674	116,045	51,320
Internal charges - equipment rentals	8,959	10,046	498	19,503	-
Depreciation	140,017	144,028	33,647	317,692	64,350
Miscellaneous	3,018	3,438	63,620	70,076	1,665
Total operating expenses	726,179	537,454	338,369	1,602,002	197,033
Operating loss	(216,194)	(175,029)	(75,171)	(466,394)	(55,051)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State grant	-	-	458,997	458,997	-
Capital contributions	-	350,000	-	350,000	-
Property taxes	80,787	-	-	80,787	-
Debt service charges	193,375	423,252	-	616,627	-
Connection fees	23,890	81,268	-	105,158	-
Interest revenue	93,113	83,283	2,485	178,881	2,743
Interest expense	(156,115)	(212,348)	(6,527)	(374,990)	(6,073)
Total nonoperating revenues (expenses)	235,050	725,455	454,955	1,415,460	(3,330)
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	18,856	550,426	379,784	949,066	(58,381)
<b>TRANSFERS IN</b>					
Transfer from General Fund	-	-	-	-	31,000
Transfer from Debt Service Fund	54,850	-	-	54,850	-
Total transfers in	54,850	-	-	54,850	31,000
<b>CHANGE IN NET ASSETS</b>	73,706	550,426	379,784	1,003,916	(27,381)
<b>NET ASSETS - BEGINNING</b>	4,052,110	2,993,936	1,055,626	8,101,672	219,807
<b>NET ASSETS - ENDING</b>	\$ 4,125,816	\$ 3,544,362	\$ 1,435,410	\$ 9,105,588	\$ 192,426

See notes to the financial statements

**Village of Sparta**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended December 31, 2006

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Airport</b>	<b>Totals</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 520,901	\$ 367,187	\$ 275,587	\$ 1,163,675	\$ -
Receipts from interfund services	-	-	-	-	141,982
Payments to vendors and suppliers	(412,346)	(283,351)	(287,541)	(983,238)	(115,117)
Payments to employees	(168,484)	(124,869)	(19,919)	(313,272)	(15,498)
Internal activity - payments to other funds	(8,959)	(10,046)	(498)	(19,503)	-
Net cash provided by (used in) operating activities	(68,888)	(51,079)	(32,371)	(152,338)	11,367
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Increase in due to other funds	105,678	-	31,276	136,954	-
Transfer in	54,850	-	-	54,850	31,000
Net cash provided by noncapital financing activities	160,528	-	31,276	191,804	31,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from capital debt	-	-	-	-	24,418
State grant	-	-	458,997	458,997	-
Debt service charges	193,375	423,252	-	616,627	-
Capital contributions	-	350,000	-	350,000	-
Connection fees	23,890	81,268	-	105,158	-
Property taxes	80,787	-	-	80,787	-
Acquisition of capital assets	-	(1,693,183)	(492,461)	(2,185,644)	(23,555)
Principal payments on capital debt	(1,299,000)	(302,000)	(36,183)	(1,637,183)	(30,060)
Interest payments on capital debt	(217,032)	(212,207)	(6,527)	(435,766)	(6,073)
Net cash used in capital and related financing activities	(1,217,980)	(1,352,870)	(76,174)	(2,647,024)	(35,270)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	93,113	83,283	2,485	178,881	2,743
<b>NET INCREASE (DECREASE) IN CASH</b>	(1,033,227)	(1,320,666)	(74,784)	(2,428,677)	9,840
<b>CASH - BEGINNING</b> (including \$1,802,364 and \$2,508,509, for the sewer and water funds, respectively, reported in restricted accounts)	1,849,269	2,886,701	84,722	4,820,692	93,564
<b>CASH - ENDING</b>	\$ 816,042	\$ 1,566,035	\$ 9,938	\$ 2,392,015	\$ 103,404

See notes to the financial statements

**Village of Sparta**  
**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**  
Year ended December 31, 2006

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Airport</b>	<b>Totals</b>	
<b>Noncash capital and related financing activities:</b>					
Acquisition of capital assets	\$ -	\$ (1,934,492)	\$ (492,461)	\$ (2,426,953)	\$ (23,555)
Less: Increase in payables	-	241,309	-	241,309	-
Net cash used	<u>\$ -</u>	<u>\$ (1,693,183)</u>	<u>\$ (492,461)</u>	<u>\$ (2,185,644)</u>	<u>\$ (23,555)</u>
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>					
Operating loss	\$ (216,194)	\$ (175,029)	\$ (75,171)	\$ (466,394)	\$ (55,051)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	140,017	144,028	33,647	317,692	64,350
Increase in:					
Receivables	10,916	4,762	12,389	28,067	-
Inventory	-	-	6,854	6,854	-
Increase (decrease) in - payables	<u>(3,627)</u>	<u>(24,840)</u>	<u>(10,090)</u>	<u>(38,557)</u>	<u>2,068</u>
Net cash provided by (used in) operating activities	<u>\$ (68,888)</u>	<u>\$ (51,079)</u>	<u>\$ (32,371)</u>	<u>\$ (152,338)</u>	<u>\$ 11,367</u>

See notes to the financial statements

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Village of Sparta, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

The accompanying financial statements present the Village and its component unit, an entity for which the Village is considered to be financially accountable. The discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village.

*Discretely-presented component unit:*

*Downtown Development Authority:*

The Authority's governing body is appointed by the Village Council and its budget must be approved by the Village Council. Separate financial statements for the component unit have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of major streets within the Village.

The 2001 Sewer/Water Refunding Bond Fund accounts for the accumulation of resources necessary to retire 2001 general obligation bonds.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Village's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the Village's water distribution system.

The Airport Fund accounts for the activities of the Village's airport.

Additionally, the Village reports the following fund type:

The Motor Vehicle Pool Fund, an internal service fund, accounts for vehicle and equipment management services provided to other departments of the Village on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

*iii) Deferred charges* - Certain payments in connection with obtaining long-term financing have been deferred and are being amortized over the life of the related debt using the interest method.

*iv) Capital assets* - Capital assets, which include land, equipment, and infrastructure assets (e.g., sewer and water systems, streets, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$2,500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity (continued):**

*iv) Capital assets (continued)* - Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment	5 - 20 years
Vehicles	5 - 10 years
Infrastructure	20 - 50 years

*v) Compensated absences* - It is the Village's policy to permit employees to accumulate earned but unused sick pay benefits. A liability for unpaid accumulated sick leave has been recorded for the portion due to employees upon separation from service with the Village. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Sick leave is accrued as the benefits are earned by the employees, as the leave is attributable to past service and it is probable that the Village will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination of employment. Sick leave is accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination benefits, as well as other employees who are expected to receive such payments in the future. Such accumulations are reduced to the maximum amount allowed as a termination payment, based on certain limitations.

Vacation leave is earned in varying amounts depending upon years of service. Village employees are required to take their vacation leave during the twelve months following their anniversary date each year. All vacation leave not used during that period shall be forfeited. Vacation leave is not accrued as it is not a vested benefit.

*vi) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vii) Property tax revenue recognition:*

Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before September 14, after which time the bill becomes delinquent and the Village may assess penalties and interest. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information:*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Village's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations:*

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	\$ 354,790	\$ 373,096	\$ 18,306
	Public safety	823,650	828,072	4,422
	Culture and recreation	62,460	74,085	11,625
	Capital outlay	51,000	84,962	33,962
Major Street	Public works	67,030	203,607	136,577

*Fund deficit* - As of December 31, 2006, the Village's Airport Fund, an enterprise fund, has an accumulated unrestricted net asset deficit, in the amount of \$3,725. The deficit is expected to be eliminated through revenue enhancements in the next fiscal year.

**NOTE 3 - CASH:**

Cash, as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total primary government</u>	<u>Component unit</u>
Deposits	\$ 3,346,224	\$ 2,392,015	\$ 5,738,239	\$ 437,918
Cash on hand	<u>175</u>	<u>-</u>	<u>175</u>	<u>-</u>
Total cash	<u>\$ 3,346,399</u>	<u>\$ 2,392,015</u>	<u>\$ 5,738,414</u>	<u>\$ 437,918</u>

*Deposits with financial institutions:*

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village's deposits are in accordance with statutory authority.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH (Continued):**

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Village will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. At December 31, 2006, \$5,969,322 of the Village's bank balances of \$6,269,322 was exposed to custodial credit risk because it was uninsured. The Village believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

The Village maintains individual and pooled cash accounts for all of its funds and its component unit. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component unit. The insured portion of the bank balance has been allocated entirely to the primary government.

**NOTE 4 - RECEIVABLES:**

At December 31, 2006, the receivables of the Village's funds were as follows:

	<i>Property taxes</i>	<i>Accounts</i>	<i>Assess- ments</i>	<i>Intergovern- mental</i>	<i>Totals</i>
Governmental funds:					
General	\$ 176,155	\$ 36,000	\$ -	\$ 148,035	\$ 360,190
Major Street	-	-	193,778	24,975	218,753
Nonmajor governmental	-	-	-	10,218	10,218
Total governmental funds	<u>\$ 176,155</u>	<u>\$ 36,000</u>	<u>\$ 193,778</u>	<u>\$ 183,228</u>	<u>\$ 589,161</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,132</u>	<u>\$ -</u>	<u>\$ 176,132</u>
Proprietary funds:					
Sewer	\$ -	\$ 80,444	\$ 8,281	\$ 22,398	\$ 111,123
Water	-	90,968	87,780	-	178,748
Airport	-	10,495	-	-	10,495
Total proprietary funds	<u>\$ -</u>	<u>\$ 181,907</u>	<u>\$ 96,061</u>	<u>\$ 22,398</u>	<u>\$ 300,366</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,313</u>	<u>\$ -</u>	<u>\$ 87,313</u>

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 599,678	\$ -	\$ -	\$ 599,678
Furniture, fixtures, and equipment	243,066	11,650	-	254,716
Vehicles	522,939	23,555	-	546,494
Streets	3,493,141	158,930	-	3,652,071
Subtotal	4,858,824	194,135	-	5,052,959
Less accumulated depreciation for:				
Buildings	(75,645)	(13,551)	-	(89,196)
Furniture, fixtures, and equipment	(112,024)	(19,826)	-	(131,850)
Vehicles	(279,595)	(57,469)	-	(337,064)
Streets	(74,356)	(174,007)	-	(248,363)
Subtotal	(541,620)	(264,853)	-	(806,473)
Governmental activities capital assets, net	<u>\$ 4,317,204</u>	<u>\$ (70,718)</u>	<u>\$ -</u>	<u>\$ 4,246,486</u>
Business-type activities:				
Capital assets not being depreciated - land	<u>\$ 324,986</u>	<u>\$ 492,461</u>	<u>\$ -</u>	<u>\$ 817,447</u>
Capital assets being depreciated:				
Sewer system	7,019,356	-	-	7,019,356
Water system	8,021,481	1,934,492	-	9,955,973
Land improvements	383,473	-	-	383,473
Buildings	637,571	-	-	637,571
Vehicles and equipment	278,178	-	-	278,178
Subtotal	16,340,059	1,934,492	-	18,274,551
Less accumulated depreciation for:				
Sewer system	(2,076,512)	(135,076)	-	(2,211,588)
Water system	(1,470,401)	(143,794)	-	(1,614,195)
Land improvements	(51,596)	(14,909)	-	(66,505)
Buildings	(107,562)	(16,019)	-	(123,581)
Vehicles and equipment	(214,370)	(7,895)	-	(222,265)
Subtotal	(3,920,441)	(317,693)	-	(4,238,134)
Total capital assets being depreciated, net	<u>12,419,618</u>	<u>1,616,799</u>	<u>-</u>	<u>14,036,417</u>
Business-type activities capital assets, net	<u>\$ 12,744,604</u>	<u>\$ 2,109,260</u>	<u>\$ -</u>	<u>\$ 14,853,864</u>

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

General government	\$ 6,180
Public safety	14,538
Public works	160,402
Culture and recreation	19,382
Depreciation on capital assets held by internal service fund	<u>64,351</u>
Total governmental activities	<u>\$ 264,853</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At December 31, 2006, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
Water	\$ 10,200	General	\$ 10,200
General	376,954	Major Street	240,000
		Water	105,678
		Airport	<u>31,276</u>
			<u>376,954</u>
	<u>\$ 387,154</u>		<u>\$ 387,154</u>

The amount owed to the Water Fund represents an overpayment received by the General Fund, and the amounts due to the General Fund represents temporary borrowing to finance current operating costs.

A summary of interfund transfers for the year ended December 31, 2006, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Local Street	\$ 40,000	Major Street	\$ 40,000
Major Street	32,300	General	32,300
Equipment	31,000	General	31,000
Sewer	<u>54,850</u>	1994 General Obligation Bond	<u>54,850</u>
Totals	<u>\$ 158,150</u>	Totals	<u>\$ 158,150</u>

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):**

The transfer to the Local Street Fund represents support for street maintenance and repairs while the transfer to the Major Street Fund represents support for debt service costs in accordance with budgetary authorizations.

The transfer to the Equipment Fund represents support for building renovation costs during the current year.

The transfer out of the 1994 General Obligation Bond Fund closed the fund to the Sewer Fund after the bonds were retired.

**NOTE 7 - PAYABLES:**

At December 31, 2006, the payables of the Village's funds were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental funds:				
General	\$ 45,049	\$ 8,864	\$ -	\$ 53,913
Major Street	36,998	-	-	36,998
Nonmajor governmental	<u>7,032</u>	<u>-</u>	<u>-</u>	<u>7,032</u>
Total governmental funds	<u>\$ 89,079</u>	<u>\$ 8,864</u>	<u>\$ -</u>	<u>\$ 97,943</u>
Proprietary funds:				
Sewer	\$ 11,539	\$ 3,800	\$ 20,200	\$ 35,539
Water	288,869	5,000	42,000	335,869
Airport	1,890	-	-	1,890
Equipment	<u>3,315</u>	<u>7,500</u>	<u>-</u>	<u>10,815</u>
Total proprietary funds	<u>\$ 305,613</u>	<u>\$ 16,300</u>	<u>\$ 62,200</u>	<u>\$ 384,113</u>

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - NONCURRENT LIABILITIES:**

At December 31, 2006, noncurrent liabilities consist of the following individual issues:

Governmental activities:

Bonds and notes:

\$41,000 1997 Installment purchase note - payable in monthly installments of \$480, including interest at 7.20%; final payment due May 2007	\$ 1,892
\$170,000 1998 Installment purchase note - payable in annual installments of \$21,962, including interest at 4.95%; final payment due October 2008	41,679
\$2,480,000 2001 General obligation refunding bonds - payable in annual installments ranging from \$190,000 to \$315,000, plus interest ranging from 3.45% to 4.35%; final payment due November 2010	850,000
\$4,420,000 2004 Capital improvements bonds - payable in annual installments ranging from \$59,000 to \$76,700, plus interest ranging from 2.00% to 4.35%; final payment due November 2024	1,302,000
\$87,538 2004 Installment purchase note - payable in monthly installments of \$1,938, including interest at 4.94%; final payment due May 2008	32,209
\$101,288 2005 Installment purchase note - payable in monthly installments of \$1,073, including interest at 4.94%; final payment due November 2015	91,744
\$24,418 2006 Installment purchase note - payable in annual installments of \$8,139, plus interest at 3.79%; final payment due July 2009	<u>24,418</u>
Total bonds and notes	2,343,942
Accrued compensated absences	<u>49,820</u>
Total governmental activities	<u>\$ 2,393,762</u>

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - NONCURRENT LIABILITIES (Continued):**

Business-type activities:

Bonds and notes:

\$100,000 1999 Airport installment purchase note - payable in annual installments of \$12,638, including interest at 5.25%; final payment due November 2009	\$ 34,591
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\$4,330,000 2000 Water revenue bonds - payable in annual installments ranging from \$180,000 to \$270,000, plus interest at 2.50%; final payment due April 2021	3,430,000
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\$85,000 2002 Airport installment purchase note - payable in monthly installments of \$834, including interest at 3.34%; final payment due December 2012	53,674
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\$100,000 2003 Airport installment purchase note - payable in monthly installments of \$981, including interest at 3.34%; final payment due September 2013	70,297
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\$975,000 2004 Capital improvement bonds - payable in annual installments ranging from \$41,000 to \$53,300, plus interest ranging from 2.00% to 4.35%; final payment due November 2024	893,000
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\$2,405,000 2005 Sewer revenue and revenue refunding bonds - payable in annual installments ranging from \$60,000 to \$225,000, plus interest ranging from 3.25% to 5.50%; final payment due November 2025	1,165,000
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\$2,485,000 2005 Water revenue bonds - payable in annual installments ranging from \$85,000 to \$185,000, plus interest ranging from 3.25% to 5.50%; final payment due November 2025	<u>2,395,000</u>
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Subtotal	8,041,562
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Net unamortized premiums	<u>162,279</u>
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Total business-type activities	<u>\$ 8,203,841</u>
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**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 - NONCURRENT LIABILITIES (Continued):**

Noncurrent liability activity for the year ended December 31, 2006, is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities:					
1994 special assessment bonds	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -
1997 installment purchase note	7,306	-	5,414	1,892	1,892
1998 installment purchase note	60,612	-	18,933	41,679	19,931
2001 general obligation bonds	1,160,000	-	310,000	850,000	225,000
2004 installment purchase note	54,133	-	21,924	32,209	22,594
2004 capital improvement bonds	1,361,000	-	59,000	1,302,000	59,000
2005 installment purchase note	99,880	-	8,136	91,744	8,503
2006 installment purchase note	-	24,418	-	24,418	8,139
Total bonds and notes	2,782,931	24,418	463,407	2,343,942	345,059
Compensated absences	41,200	14,937	6,317	49,820	-
Total governmental activities	<u>\$ 2,824,131</u>	<u>\$ 39,355</u>	<u>\$ 469,724</u>	<u>\$ 2,393,762</u>	<u>\$ 345,059</u>
Business-type activities:					
1994 sewer revenue bonds	\$ 40,000	\$ -	\$ 40,000	-	\$ -
1996 airport loan	8,255	-	8,255	-	-
1999 airport loan	45,188	-	10,597	34,591	11,074
2000 water revenue bonds	3,620,000	-	190,000	3,430,000	190,000
2002 airport loan	61,745	-	8,071	53,674	8,344
2003 airport loan	79,557	-	9,260	70,297	9,574
2004 capital improvement bonds	934,000	-	41,000	893,000	41,000
2005 sewer revenue bonds	2,405,000	-	1,240,000	1,165,000	140,000
2005 water revenue bonds	2,485,000	-	90,000	2,395,000	85,000
Total business-type activities	9,678,745	-	1,637,183	8,041,562	<u>\$ 484,992</u>
Unamortized premiums	197,551	-	35,000	162,551	
Total business-type activities	<u>\$ 9,876,296</u>	<u>\$ -</u>	<u>\$ 1,672,183</u>	<u>\$ 8,204,113</u>	

The reductions related to the 2005 sewer revenue bonds include a defeasance in the amount of \$1,180,000.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - NONCURRENT LIABILITIES (Continued):**

At December 31, 2006, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended</u> <u>December 31,</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 345,059	\$ 89,015	\$ 484,992	\$ 323,190
2008	327,435	75,781	511,099	305,738
2009	294,474	64,045	514,149	286,482
2010	264,758	52,515	494,904	266,505
2011	78,206	41,901	307,626	182,671
2012 - 2016	413,460	167,692	2,404,342	893,141
2017 - 2021	392,350	91,724	2,217,650	474,342
2022 - 2026	<u>228,200</u>	<u>19,217</u>	<u>1,106,800</u>	<u>113,797</u>
Totals	<u>\$ 2,343,942</u>	<u>\$ 601,890</u>	<u>\$ 8,041,562</u>	<u>\$ 2,845,866</u>

All debt is secured by the full faith and credit of the Village.

**NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:**

The Village provides pension benefits for its manager through a defined contribution plan. This employee is eligible to participate from the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Village contributes 10% of compensation for the manager, which amounted to \$3,325 in 2006. The Village made its required contributions for 2006.

The Village's contributions are fully vested immediately. The Village is not a trustee of the plan, nor is the Village responsible for investment management of plan assets.

**NOTE 10 - DEFINED BENEFIT PENSION PLAN:**

*Plan description:*

The Village's defined benefit pension plan provides retirement benefits to qualified employees and their beneficiaries. The Village's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Village. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued):**

*Funding policy:*

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are required to contribute five percent to the plan. The Village is required to contribute at an actuarially determined rate necessary to finance the coverage of its employees. Administrative costs of the plan are financed through investment earnings.

*Annual pension cost:*

For the year ended December 31, 2006, the Village's annual pension cost of \$131,358 for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2004, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8 percent investment rate of return, net of administrative expenses, b) projected salary increases of 4.5 percent per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan has an unfunded actuarial accrued benefit, which is being amortized over 30 years as a level percentage of payroll.

*Three-year trend information:*

<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
12/31/04	\$ 92,832	100%	\$ -
12/31/05	115,828	100%	-
12/31/06	131,358	100%	-

**NOTE 11 - JOINT VENTURE:**

*Sparta Fire Department:*

The Village is a participant in the Sparta Fire Department (the Department) along with the Township of Sparta. The administrative board of the Department consists of members appointed by each participating unit. The Department was formed for the purpose of providing fire protection to the Sparta area. The Village has no equity interest in the Department; therefore, financial information of the Department has not been included in the Village's financial statements.

Costs of operations and capital asset acquisitions of the Department are supported by contributions from the Village, which contributes one-third, and the Township of Sparta, which contributes two-thirds, of the Fire Department's proposed budget. During the year ended December 31, 2006, the Village paid the Department \$94,388.

Complete financial statements for the Department can be obtained from the Sparta Township Clerk's office at 106 East Division Street, Sparta, Michigan 49345.

***Village of Sparta***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 12 - CLAIMS ARISING FROM RISKS OF LOSS:**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and medical claims; injuries to employees; and natural disasters. The risks of loss arising from general liability up to \$5,000,000, building contents, employees' health insurance, workers' compensation, and casualty are managed through purchased commercial insurance.

**NOTE 13 - BOND DEFEASANCE:**

The Village defeased sewer revenue bonds by placing cash in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Village's financial statements. On December 31, 2006, \$1,180,000 of outstanding bonds were considered defeased.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Village of Sparta**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,166,000	\$ 1,166,000	\$ 1,102,651	\$ (63,349)
Licenses and permits	43,500	43,500	19,534	(23,966)
State grants	355,000	355,000	438,075	83,075
Charges for services	8,000	8,000	6,092	(1,908)
Fines and forfeitures	3,700	3,700	5,084	1,384
Interest and rentals	20,000	20,000	86,238	66,238
Other	12,500	12,500	81,230	68,730
	<u>1,608,700</u>	<u>1,608,700</u>	<u>1,738,904</u>	<u>130,204</u>
<b>EXPENDITURES</b>				
Legislative	16,940	16,940	15,741	1,199
General government	354,790	354,790	373,096	(18,306)
Public safety	823,650	823,650	828,072	(4,422)
Culture and recreation	62,460	62,460	74,085	(11,625)
Community and economic development	53,500	53,500	25,054	28,446
Capital outlay	51,000	51,000	84,962	(33,962)
Debt service:				
Principal	24,400	24,400	24,347	53
Interest	3,400	3,400	3,379	21
	<u>1,390,140</u>	<u>1,390,140</u>	<u>1,428,736</u>	<u>(38,596)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>218,560</u>	<u>218,560</u>	<u>310,168</u>	<u>91,608</u>
<b>OTHER FINANCING USES</b>				
Transfer to Equipment Fund	(32,300)	(32,300)	(32,300)	-
Transfer to Major Street Fund	(31,000)	(31,000)	(31,000)	-
	<u>(63,300)</u>	<u>(63,300)</u>	<u>(63,300)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	155,260	155,260	246,868	91,608
<b>FUND BALANCES - BEGINNING</b>	<u>2,748,240</u>	<u>2,748,240</u>	<u>2,748,240</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,903,500</u>	<u>\$ 2,903,500</u>	<u>\$ 2,995,108</u>	<u>\$ 91,608</u>

**Village of Sparta**  
**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**  
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 164,000	\$ 164,000	\$ 166,566	\$ 2,566
Contributions from local units	-	-	-	-
Interest	5,000	5,000	21,425	16,425
Other	<u>30,000</u>	<u>30,000</u>	<u>66,023</u>	<u>36,023</u>
Total revenues	<u>199,000</u>	<u>199,000</u>	<u>254,014</u>	<u>55,014</u>
<b>EXPENDITURES</b>				
Public works	67,030	67,030	203,607	(136,577)
Debt service:				
Principal	59,000	59,000	59,000	-
Interest	<u>46,525</u>	<u>46,525</u>	<u>46,525</u>	<u>-</u>
Total expenditures	<u>172,555</u>	<u>172,555</u>	<u>309,132</u>	<u>(136,577)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>26,445</u>	<u>26,445</u>	<u>(55,118)</u>	<u>(81,563)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	32,300	32,300	32,300	-
Transfer to Local Street Fund	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Total other financing uses	<u>(7,700)</u>	<u>(7,700)</u>	<u>(7,700)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	18,745	18,745	(62,818)	(81,563)
<b>FUND BALANCES - BEGINNING</b>	<u>246,610</u>	<u>246,610</u>	<u>246,610</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 265,355</u>	<u>\$ 265,355</u>	<u>\$ 183,792</u>	<u>\$ (81,563)</u>

**Village of Sparta****ANALYSIS OF FUNDING PROGRESS - Employee Retirement System****(Municipal Employees' Retirement System of Michigan)**

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

Actuarial valuation date <u>December 31,</u>	Actuarial value of assets <u>(a)</u>	Actuarial accrued liability (AAL) entry age <u>(b)</u>	Funded ratio <u>(a)/(b)</u>	(Over- funded) AAL <u>(b-a)</u>	Covered payroll <u>(c)</u>	(Over- funded) AAL as a percentage of covered payroll <u>((b-a)/c)</u>
1997	\$ 328,675	\$ 1,540,661	21%	\$ 1,211,986	\$ 561,844	216%
1998	479,804	1,636,046	29%	1,156,242	572,059	202%
1999	607,342	1,648,845	37%	1,041,503	637,804	163%
2000	740,815	1,834,865	40%	1,094,050	679,795	161%
2001	879,543	1,974,771	45%	1,095,228	695,243	158%
2002	1,046,036	2,031,970	51%	985,934	692,359	142%
2003	1,206,736	2,447,331	49%	1,240,595	820,511	151%
2004	1,348,821	2,749,578	49%	1,400,757	861,030	163%
2005	1,505,897	2,988,128	50%	1,482,231	865,319	171%

## **SUPPLEMENTARY INFORMATION**

**Village of Sparta****COMBINING BALANCE SHEET - nonmajor governmental funds**

December 31, 2006

	<u>Special revenue funds</u>			<u>Debt service fund</u>
	<u>Local Street</u>	<u>Sidewalk</u>	<u>Totals</u>	<u>1994 General obligation bonds</u>
<b>ASSETS</b>				
Cash	\$ 330,147	\$ 34,555	\$ 364,702	\$ -
Receivables	<u>10,218</u>	<u>-</u>	<u>10,218</u>	<u>-</u>
Total assets	<u>\$ 340,365</u>	<u>\$ 34,555</u>	<u>\$ 374,920</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities - payables	\$ 7,032	\$ -	\$ 7,032	\$ -
Fund balances - unreserved, undesignated	<u>333,333</u>	<u>34,555</u>	<u>367,888</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 340,365</u>	<u>\$ 34,555</u>	<u>\$ 374,920</u>	<u>\$ -</u>

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***Total other  
governmental  
funds***

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\$ 364,702  
10,218

\$ 374,920

\$ 7,032

367,888

\$ 374,920

**Village of Sparta**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2006

	<u>Special revenue funds</u>			<u>Debt service fund</u>
	<u>Local Street</u>	<u>Sidewalk</u>	<u>Totals</u>	<u>1994 General obligation bonds</u>
<b>REVENUES</b>				
Property taxes	\$ 161,663	\$ -	\$ 161,663	\$ -
State grants	67,608	-	67,608	-
Interest	9,485	966	10,451	1,538
Other	510	12,478	12,988	28,121
Total revenues	239,266	13,444	252,710	29,659
<b>EXPENDITURES</b>				
Public works	211,636	-	211,636	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	40,000
Interest and fees	-	-	-	15,595
Total expenditures	211,636	-	211,636	55,595
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	27,630	13,444	41,074	(25,936)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	40,000	-	40,000	-
Transfers out	-	-	-	(54,850)
Total other financing sources (uses)	40,000	-	40,000	(54,850)
<b>NET CHANGE IN FUND BALANCES</b>	67,630	13,444	81,074	(80,786)
<b>FUND BALANCES - BEGINNING</b>	265,703	21,111	286,814	80,786
<b>FUND BALANCES - ENDING</b>	<u>\$ 333,333</u>	<u>\$ 34,555</u>	<u>\$ 367,888</u>	<u>\$ -</u>

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***Total other  
governmental  
funds***

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\$ 161,663  
67,608  
11,989  
41,109

282,369

211,636

-

40,000

15,595

267,231

15,138

40,000

(54,850)

(14,850)

288

367,600

\$ 367,888

**SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 CONTINUING DISCLOSURE  
(UNAUDITED)**

**Village of Sparta  
Taxable Value  
Fiscal Years Ended December 31, 2002 Through 2006**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Village's Fiscal Years Ended December 31	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (1)	Total Taxable Value	Percent Increase Over Prior Year
2001	2002	2002	\$94,366,904	\$ 3,113,850	\$97,480,754	4.72%
2002	2003	2003	97,449,805	2,723,100	100,172,905	2.76%
2003	2004	2004	109,509,467	4,369,963	113,879,430	13.68%
2004	2005	2005	114,736,021	3,643,099	118,379,120	3.95%
2005	2006	2006	117,916,523	4,370,920	122,287,443	3.30%

Per Capita Total Taxable Value for the fiscal year ended December 31, 2006 (2) = \$29,403

(1) At the full tax rate. See "Tax Abatement" herein.

(2) Based on the Village's 2000 census population of 4,159.

Source: Village of Sparta

**Village of Sparta  
Taxable Value by Use and Class  
Fiscal Years Ended December 31, 2002 Through 2006**

Use	Fiscal year ended December 31				
	2002	2003	2004	2005	2006
Agricultural	\$ 2,624	\$ 2,663	\$ 2,724	\$ 2,789	\$ -
Commercial	24,253,643	24,999,292	27,499,067	29,468,904	30,625,467
Industrial	23,174,626	23,113,886	30,727,826	31,141,347	26,411,552
Residential	48,509,861	50,977,064	54,432,313	56,559,083	63,853,424
Utility	1,540,000	1,080,000	1,217,500	1,207,000	1,397,000
	<u>\$ 97,480,754</u>	<u>\$ 100,172,905</u>	<u>\$ 113,879,430</u>	<u>\$ 118,379,123</u>	<u>\$ 122,287,443</u>
Class	2002	2003	2004	2005	2006
Real Property	\$ 79,016,004	\$ 82,783,055	\$ 91,290,730	\$ 95,922,673	\$ 100,988,443
Personal Property	18,464,750	17,389,850	22,588,700	22,456,450	21,299,000
	<u>\$ 97,480,754</u>	<u>\$ 100,172,905</u>	<u>\$ 113,879,430</u>	<u>\$ 118,379,123</u>	<u>\$ 122,287,443</u>

Source: Village of Sparta

(UNAUDITED)

**Village of Sparta  
State Equalized Valuation  
Fiscal Years Ended December 31, 2002 through 2006**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Village's Fiscal Years Ended December 31	Ad Valorem SEV	SEV of Property Granted Tax Abatement Under Act 198 (1)	Total SEV	Percent Increase Over Prior Year
2001	2002	2002	\$ 108,188,900	\$ 6,421,400	\$ 114,610,300	4.53%
2002	2003	2003	110,420,300	5,575,300	115,995,600	1.21%
2003	2004	2004	122,564,900	8,538,500	131,103,400	13.02%
2004	2005	2005	128,723,500	7,374,800	136,098,300	3.81%
2005	2006	2006	136,705,500	8,876,700	145,582,200	6.97%

Per Capita Total SEV for the fiscal year ended December 31, 2006 (2) = \$35,004

(1) See "Tax Abatement" herein.

(2) Based on the Village's 2000 census population of 4,159.

Source: Village of Sparta

**Village of Sparta  
SEV by Use and Class  
Fiscal Years Ended December 31, 2002 through 2006**

Industrial	27,266,100	26,741,300	35,681,700	36,428,200	32,442,200
Residential	59,606,500	61,385,500	64,227,300	65,840,300	75,956,200
Utility	1,540,000	1,084,000	1,217,500	1,207,000	1,397,000
	<u>\$ 114,610,300</u>	<u>\$ 115,995,600</u>	<u>\$ 131,103,400</u>	<u>\$ 136,098,300</u>	<u>\$ 145,582,200</u>
<b>Class</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Real Property	\$ 94,390,600	\$ 96,881,200	\$ 106,333,600	\$ 111,825,600	\$ 121,904,200
Personal Property	20,219,700	19,114,400	24,769,800	24,272,700	23,678,000
	<u>\$ 114,610,300</u>	<u>\$ 115,995,600</u>	<u>\$ 131,103,400</u>	<u>\$ 136,098,300</u>	<u>\$ 145,582,200</u>

Source: Village of Sparta

**Tax Abatement**

The Village's Taxable Value does not include the value of certain facilities, which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198. The Act was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Act, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts and industrial development districts and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

(UNAUDITED)

## Tax Abatement (Continued)

An industrial facilities exemption certificate granted under Act 198 entitles an eligible facility to exemption from Ad Valorem taxes for a period of up to 12 years. In lieu of Ad Valorem taxes, the eligible facility will pay an industrial facilities (the "IFT Tax"). For properties granted tax abatement under Act 198, there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the Taxable Value level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility, the IFT Tax is also determined the same as the Ad Valorem Tax, but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the state and local school district for operating purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals 1/2 of all tax rates levied by other than the state and local school district plus none, 1/2, or the entire state tax rate (as determined by the State Treasurer).

The Village has established goals, objectives, and procedures to provide the opportunity for industrial development and expansion. Since 1974, the Village has approved a number of applications for local property tax relief for industrial and commercial firms. The SEV of properties that have been granted tax abatement under the Act, removed from the Ad Valorem Tax Roll, and placed on the IFT Tax Roll totaled \$8,741,839 for the fiscal year ended December 31, 2006. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$4,370,920 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates, the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

### Village of Sparta Maximum Property Tax Rates Fiscal Year Ended December 31, 2006

Millage Classification	Millage Authorized	Millage Rate As Permanently Reduced By Headlee	Current Year Reduction Fraction	Maximum Allowable Millage
Operating	17.5000	15.9185	1.0000	15.9185
Streets and Highways	5.0000	4.5725	1.0000	4.5725
Refuse Collection and Disposal	3.0000	2.7435	1.0000	2.7435

Source: Village of Sparta

### Village of Sparta Property Tax Rates Fiscal Years Ended December 31, 2002 Through 2006

Levy July 1	Fiscal Year Ended December 31	General Operating	Streets and Highways	Debt Service (1)	Total
2002	2002	11.75	1.5	3.75	17
2003	2003	11.75	1.5	3.25	16.5
2004	2004	11.75	1.5	3.25	16.5
2005	2005	10.75	1.5	2.25	14.5
2006	2006	10	1.5	3	14.5

(1) Voter approved.

Source: Village of Sparta

(UNAUDITED)

**Village of Sparta**  
**Homestead Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended December 31, 2002 Through 2006**

Governmental Unit	Fiscal Years Ended December 31				
	2002	2003	2004	2005	2006
Village of Sparta	17.0000	16.5000	16.5000	14.5000	14.5000
Kent Intermediate Schools	3.8192	3.7903	4.5333	4.6453	4.6903
Grand Rapids Community College	1.8000	1.7865	1.7865	1.7865	1.7865
State Education	6.0000	5.0000	6.0000	6.0000	6.0000
Sparta Schools	4.6256	4.6152	7.2252	7.1352	7.1352
Kent County	5.3140	5.3140	5.3140	5.3140	5.3940
Sparta Township	1.2426	1.2295	1.2270	1.2270	1.2270
	<u>39.8014</u>	<u>38.2355</u>	<u>42.5860</u>	<u>40.6080</u>	<u>40.7330</u>

**Village of Sparta**  
**Non-Homestead Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended December 31, 2002 Through 2006**

Governmental Unit	Fiscal Years Ended December 31				
	2002	2003	2004	2005	2006
Village of Sparta	17.0000	16.5000	16.5000	14.5000	14.5000
Kent Intermediate Schools	3.8192	3.7903	4.5333	4.6453	4.6903
Grand Rapids Community College	1.8000	1.7865	1.7865	1.7865	1.7865
State Education	6.0000	5.0000	6.0000	6.0000	6.0000
Sparta Schools	22.3390	22.3236	24.9336	25.1352	25.1352
Kent County	5.3140	5.3140	5.3140	5.3140	5.3940
Sparta Township	1.2426	1.2295	1.2270	1.2270	1.2270
	<u>57.5148</u>	<u>55.9439</u>	<u>60.2944</u>	<u>58.6080</u>	<u>58.7330</u>

**Village of Sparta**  
**Property Tax Collections**  
**Fiscal Years Ended December 31, 2002 Through 2006**

July 1 Levy	Fiscal Year Ended December 31	Tax Levy (1)	Collections to December 31 Following Levy	Percent Collected
2002	2002	1,660,992	1,531,359	92.20%
2003	2003	1,653,755	1,548,100	93.61%
2004	2004	1,799,066	1,688,396	93.85%
2005	2005	1,611,958	1,474,596	91.48%
2006	2006	1,710,067	1,561,091	91.29%

(1) Village taxes only. Excludes special assessments. Includes property tax collections of property granted tax abatement under Act 198.

Source: Village of Sparta

(UNAUDITED)

**Village of Sparta  
Ten Largest Taxpayers  
Fiscal Year Ended December 31, 2006**

Taxpayer	Principal Product or Service	Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (2)	Total Taxable Value	Percent of Total (1)
Spartan Graphics, Inc.	General Commercial Advertising	\$ 3,439,681	\$ 1,753,300	\$ 5,192,981	4.25%
Federal Mogul Piston Ring	Piston Ring Manufacturer	3,780,630	1,402,000	5,182,630	4.24%
Old Orchard Brands, LLC	Fruit Juice Manufacturer	1,523,433	2,025,267	3,548,700	2.90%
Tesa Tape, Inc.	Adhesive Tape Manufacturer	3,370,052	-	3,370,052	2.76%
General Formulation	Coating and Laminating of Films	2,390,114	326,400	2,716,514	2.22%
Cascade Die Casting	Aluminum Injector Molder	2,190,365	-	2,190,365	1.79%
Emmons Development Co.	Retail Grocery Store	1,983,160	-	1,983,160	1.62%
Appletree Group LLC	Apartments	1,774,900	-	1,774,900	1.45%
Continental Identification	Commercial Screen Printer	1,324,380	187,200	1,511,580	1.24%
Choice One Bank	Financial Institution	1,226,476	-	1,226,476	1.00%
		<u>\$ 23,003,191</u>	<u>\$ 5,694,167</u>	<u>\$ 28,697,358</u>	<u>23.47%</u>

(1) Based on \$122,287,443, which is the Village's Total Taxable Value for its fiscal year ended December 31, 2006. Includes the Equivalent Taxable Value of Property granted under Act 198.

(2) See "Tax Abatement" herein.

Source: Village of Sparta

**Village of Sparta  
Revenues from the State of Michigan  
Fiscal Years Ended or Ending December 31, 2002 Through 2006**

	Fiscal Years Ended December 31,				
	2002	2003	2004	2005	2006
Liquor license fees .....	\$ 2,857	\$ 3,004	\$ 4,055	\$ 3,672	\$ 3,534
State Shared Revenue .....	<u>503,716</u>	<u>469,131</u>	<u>434,870</u>	<u>430,357</u>	<u>427,360</u>
	<u>\$ 506,573</u>	<u>\$ 472,135</u>	<u>\$ 438,925</u>	<u>\$ 434,029</u>	<u>\$ 430,894</u>

Source: Village of Sparta

**Legal Debt Margin**

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the Village may legally incur as of December 31, 2006.

Debt Limit (1)	\$ 14,558,220
Debt Outstanding	\$ 10,385,504
Less: Exempt Debt	<u>6,990,000</u>
	<u>3,395,504</u>
Legal Debt Margin	<u>\$ 11,162,716</u>

(1) 10% of \$145,582,200 Village's Total SEV for the fiscal year ended December 31, 2006.

Source: Municipal Advisory Council of Michigan and the Village of Sparta.

(UNAUDITED)

**Village of Sparta  
Debt Statement  
December 31, 2006**

The following table reflects a breakdown of the Village's direct and overlapping debt as of December 31, 2006. To the extent necessary, the Village may levy taxes on all taxable property within its boundaries without limitation as to rate or amount to pay the principal of, and interest due on, the bonds in the following table, which are designated as "UT." However, the Village's ability to levy tax to pay the debt service on the bonds, which are designated as "LT," is subject to applicable charter, statutory, and constitutional limitations.

<u>Village Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
<b>General Obligation Bonds:</b>			
Dated November 4, 2004 (Limited Tax)	\$ 2,195,000	\$ -	\$ 2,195,000
Dated March 29, 2001 (Unlimited Tax)	850,000	-	850,000
Subtotal	<u>3,045,000</u>	<u>-</u>	<u>3,045,000</u>
<b>Sewer Revenue Bonds:</b>			
Dated November 22, 2005	1,165,000	1,165,000	-
Subtotal	<u>1,165,000</u>	<u>1,165,000</u>	<u>-</u>
<b>Water Revenue Bonds:</b>			
Dated November 22, 2005	2,395,000	2,395,000	-
Dated September 28, 2000	3,430,000	3,430,000	-
Subtotal	<u>5,825,000</u>	<u>5,825,000</u>	<u>-</u>
<b>Installment Purchase Obligations:</b>			
Dated July 11, 2006	24,418	-	24,418
Dated November 18, 2005	91,744	-	91,744
Dated May 11, 2004	32,209	-	32,209
Dated August 23, 2003	70,297	-	70,297
Dated November 25, 2002	53,674	-	53,674
Dated October 21, 1999	34,591	-	34,591
Dated October 15, 1998	41,679	-	41,679
Dated May 2, 1997	1,892	-	1,892
Subtotal	<u>350,504</u>	<u>-</u>	<u>350,504</u>
<b>Totals</b>	<u>\$ 10,385,504</u>	<u>\$ 6,990,000</u>	<u>\$ 3,395,504</u>

Per Capita Net Village Direct Debt (1) ..... \$ 961  
Percent of Net Direct Debt to SEV (2) ..... 2.33%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Village Share As Percent of Gross</u>	<u>Net</u>
Kent County	\$ 84,960,000	0.58%	\$ 492,768
Sparta School District	38,615,000	27.93%	10,785,170
Grand Rapids Community College	57,460,000	0.57%	327,522
<b>Totals</b>	<u>\$ 181,035,000</u>		<u>\$ 11,605,460</u>

Per Capita Net Overlapping Debt (1) ..... \$2,790  
Percent of Net Overlapping Debt to SEV (2) ..... 7.97%

Per Capita Net Direct and Overlapping Debt (1) ..... \$3,751  
Percent of Net Direct and Overlapping Debt to SEV (2) ..... 10.30%

(UNAUDITED)

**Village of Sparta  
Debt Statement  
December 31, 2006**

- (1) Based on the Village's 2000 census population of 4,159.
- (2) Based on \$145,582,200, which is the Village's SEV for the fiscal year ended December 31, 2006. Includes the value of property granted tax abatement under Act 198.
- (3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the Village are liable in addition to debt issued by the Village.

Source: Municipal Advisory Council of Michigan and the Village of Sparta

*(UNAUDITED)*

**Members of the Village Council  
Village of Sparta, Michigan**

In planning and performing our audit of the financial statements of the Village of Sparta, Michigan as of and for the year ended December 31, 2006, in accordance with U.S. generally accepted auditing standards, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- Enterprise fund receivable balances for utility charges were not reconciled to their respective general ledger control accounts in a timely manner.
- The Village does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Village Council of the Village of Sparta, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

June 15, 2007